

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6354**

**BILL NUMBER:** SB 336

**NOTE PREPARED:** Nov 24, 2003

**BILL AMENDED:**

**SUBJECT:** Foreign Country Service Credit for TRF.

**FIRST AUTHOR:** Sen. Rogers

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows Teachers' Retirement Fund (TRF) members with service in a foreign country to purchase TRF service credit.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** *Purchase of Service Credit Provision:* This provision can result in increased future payouts from the TRF in certain situations, as described below.

The bill allows a teacher to purchase service credit for service in a foreign country. Contributions must be equal to the product of the following: (1) the member's salary at the time the member actually makes a contribution for the service credit; and (2) a rate determined by the actuary of the fund based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased. However, a couple of circumstances under which a member of the TRF may wish to purchase service credit and the potential impact to the funds are identified below.

(1) If a member wanted to purchase service credit, the actuary for the fund calculates the cost of that service based on the member's current salary, current TRF service earned, and the member's current age. This cost represents the full actuarial cost of the service at the time of the purchase (excepting any future cost-of-living adjustments (COLAs) that may be awarded). In other words, if a member purchases the service credit on one day and then retires with benefits commencing the next day, there would be no immediate fiscal impact to the TRF. There also would be no immediate real gain to the member because the additional benefits received due to the service would be actuarially equivalent to the purchase price of the service. This changes, however, once a COLA has been awarded. Since COLAs were not included in the purchase price, such a

COLA would represent a real gain to the member and a fiscal impact to the TRF.

(2) If the member purchases service credit and continues employment, the member may also be able to benefit from the earlier purchase of service credit for a second reason. As the member continues employment, the member can expect increases in salary. These salary increases will increase the benefit the member can expect to receive at retirement. However, the purchase price of the service was based on the member's salary **at the time of purchase** before any increases in salary. Any increase in the value of the member's benefit because of salary increases was not included in the purchase price, therefore representing a real gain to the member and an impact to the fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Teachers' Retirement Fund.

**Local Agencies Affected:**

**Information Sources:** Purchase of Service Analysis developed in conjunction with Doug Todd, actuary for the Public Employees' Retirement Fund, 576-1508; and LSA.

**Fiscal Analyst:** James Sperlik, 317-232-9866.